

FOREIGN POLICY BULLETIN



An analysis of current international events

1918-1949

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXVIII Nos. 38-39

JULY 1, 1949

Paris Talks Yield Modest Gains To Both Sides

The results of the four-week Big Four conference in Paris, which closed on June 20, were described in this country as, at worst, a waste of time and, at best, meager and inconclusive. In appraising the terms of the official communiqué, it may be useful to ask oneself what results would have been regarded here as satisfactory. Before the conference opened, some American observers contended that, if the U.S.S.R. agreed to the terms desired by the United States, it would mean that Washington was being duped; if the U.S.S.R. rejected these terms, it would then become apparent beyond further doubt that the Kremlin wanted no part of any settlement.

What Did Russia Gain?

Actually, both sides made some gains, modest as they may appear, when compared with the tense and menacing situation that existed a year ago. True, the Council of Foreign Ministers admitted its inability to reach an agreement on restoration of the economic and political unity of Germany. However, the Foreign Ministers agreed that during the fourth session of the UN General Assembly in September the representatives of the four powers will exchange views regarding the date and other arrangements for the next meeting of the Council on the German question. Thus the mechanism of four-power negotiations, stalled following Russia's blockade of Berlin, has been set going again. Judging by Russian press commentaries on the Paris conference, the revival of this mechanism was one of Moscow's principal objectives.

Moreover, while Germany remains divided indefinitely into two parts, the four powers decided to hold consultations in Berlin for the purpose of mitigating the effects of the present administrative split of Germany and of Berlin. Among the subjects to be discussed are expansion of trade, development of financial and economic relations, and facilitation of the movement of persons and goods between the Western zones and the Eastern zone and between Berlin and the zones. The occupation authorities will also recommend to the leading German economic bodies of both sectors the establishment of closer interzonal economic ties. Thus, while the Kremlin was unable to prevent the creation of a West German state, it stands to gain by resumption of intra-German trade which would relieve shortages of industrial goods in the Eastern zone.

In the agreement reached on the Austrian treaty, which is to be drafted not later than September 1, 1949, the U.S.S.R. is to receive from Austria \$150 million over six years in freely convertible currency as payment for German assets which the Russians had seized and will now return. It was also agreed that all former German assets which have become the property of the U.S.S.R. shall not be subject to alienation without its consent. Important, too, for the Kremlin were the decisions of the Western powers to agree that Russia should have long-term rights to oil in Eastern Austria, and to recognize Russian seizure of the assets of the Danubian Shipping Company not only in Eastern Austria, but also in Bulgaria,

Hungary and Rumania. The accord on shipping assets makes Russia the dominant power on the Danube, a position it has historically coveted. The concern of the U.S.S.R. that it should be able to get its profits from oil and shipping out of Austria in convertible currency, presumably dollars, was revealed when Foreign Minister Vishinsky summoned the three other members of the Council for a post-mortem meeting to obtain additional assurances on this point.

What Did U.S. Gain?

The United States, working closely with Britain and France, obtained confirmation that the New York agreement of May 4, 1949 regarding the lifting of the Russian blockade shall be maintained. The communiqué stated that the occupation authorities, each in his own zone, will have an obligation to take measures necessary to ensure the normal functioning and utilization of transport communications facilities. The Western powers found no need to yield on the position they had previously taken that either German political unity would be achieved on the basis of the Bonn constitution, or not at all. They are therefore now free to proceed with the establishment of the West German parliament, elections for which are to be held on August 14.

On the Austrian treaty, the Western powers won the concession from the U.S.S.R. that the frontiers of Austria shall be those of January 1, 1938, the Soviet government having abandoned its previous efforts to obtain Carinthia for Yugoslavia—a defection bitterly denounced by

Contents of this BULLETIN may be reproduced with credit to the Foreign Policy Association

Marshal Tito's government. Russia also withdrew its support of Yugoslavia's reparations demands against Austria. Should the treaty be concluded, and its provisions observed, as the Austrians fervently hope, the West would regard the physical removal of Russian troops from the strategically situated territory of Austria as a distinct advantage.

The Next Phase

Whatever may be one's opinion of the Paris conference, events are moving so fast that the conference itself has already receded into the background. Secretary of State Dean Acheson, on his return, said on June 23 that "the position of the West has grown greatly in strength and that the position of the Soviet Union in regard to the struggle for the soul of Europe has changed from the offensive to the defensive." John Foster Dulles, Republican foreign policy adviser to Mr. Acheson, declared on June 22 that "our bi-partisan policies as regards Europe have been sound and are beginning to pay dividends in the form of greater Soviet moderation."

Current developments would seem to indicate that the U.S.S.R. is seeking to consolidate its position in Europe, rather than withdraw and concentrate its attention exclusively on Asia, as had been

suggested in the West. Significant changes have been made in the personnel of the Soviet government, but it cannot yet be confidently asserted that these changes portend a major shift in Moscow's foreign policy. It has been no secret to anyone familiar with Russian affairs since 1917 that the Communist party was at no time "monolithic" but, on the contrary, was rent asunder again and again by internal rivalries and ideological clashes—only to close ranks after each "purge" without precipitating a governmental collapse.

That the U.S.S.R. is experiencing serious difficulties in keeping Communists of nearby countries in line with its own policies, is increasingly clear. It is premature, however, to assume that rebellion against Russian dictation would result in the downfall of Communist regimes and the establishment of institutions patterned on those of the West. To judge by developments in Yugoslavia, defiance of Moscow may lead to consolidation, rather than to disintegration, of native Communist movements. This, in turn, would raise the question whether the United States should oppose all Communist regimes, or only those which are on friendly terms with Russia.

While the U.S.S.R. is confronted by

many problems in Eastern Europe, it would be unrealistic to assume that the United States has yet solved the problems of Western Europe by the Marshall Plan, the welcome it has accorded to all projects for Western Union, and the North Atlantic treaty, as yet unratified, and unimplemented by an adequate arms-aid program. The economic dilemmas now facing the West are discussed elsewhere in this issue. These dilemmas cast a shadow over the Paris conference, and it is significant that they were in the foreground of Russian commentaries on the Paris communiqué. In the larger international perspective, the Paris conference was but one facet of world readjustments of power.

It was not a mere coincidence that Mr. Vishinsky referred to a peace treaty with Japan both at the beginning and at the end of the conference, and specified that negotiations for this treaty should be conducted by the great powers which took part in the Far Eastern war. This proposal would leave out France and bring in China, and would raise the question of the status of the Chinese Communists. The United States, which has been concentrating its attention on Europe, thus finds it necessary now to make long-range decisions on Asia.

VERA MICHELES DEAN

U.S. Economic Policy Hampered By Inconsistencies

WASHINGTON—Now that two years have passed since George C. Marshall, then Secretary of State, proposed his "plan," the United States can see that supplementary actions are necessary to achieve the goal of European recovery he then set.

The Marshall Plan has undoubtedly improved the economies of the participating countries. It has not offered them, however, liberation from the dilemma that prompted the proposal in the first place—and that is, their lack of a sufficient number of dollars to buy at will in the United States. The plan actually promotes the hoarding of dollars held abroad and impels the ERP countries to search for buyers and sellers with whom they can do business on a nondollar basis. Accordingly, Britain and Argentina have signed a five-year barter, nondollar agreement, which gives British petroleum products preference over American in the Argentine market. Through the State Department, the United States protested to both countries on the ground that the treaty had violated the Geneva trade agreements

of 1947. Diplomatic protests against illiberal commercial arrangements, however, will mean nothing until either the United States makes dollars available everywhere, or nations reach an economic understanding that would enable the world to carry on nondiscriminatory trade freely without dependence on the dollar. Today, free trade is possible only where dollar trade is possible. Argentina, like most South American countries, has few dollars; and Britain's dollar supply has dwindled to a dangerous extent, as indicated by the British government's decision to summon a conference of Dominion Finance Ministers on July 8 to discuss the dollar crisis.

Foreign Economic Policy

Contradictory tendencies in United States foreign economic policy prevent settlement of this difficulty, of which the Anglo-Argentine agreement is only one symptom. Increased American purchases of European products would augment the supply of dollars available to the Marshall Plan countries. Paul G. Hoffman, Administra-

tor of the Economic Co-operation Administration, told the Senate Appropriations Committee on June 24 that the United States must almost double its imports from Western Europe by 1951 or see the failure of the Marshall Plan. He recommended that imports be raised from \$2 billion to \$3.5 billion. Yet the revival of the protectionist spirit here darkens the outlook for increased purchasing abroad. The Senate is reluctant to take up the reciprocal trade bill (already passed by the House of Representatives) which would enable President Truman to lower the tariff barriers that now limit the ability of Europeans to sell here.

Another contradictory tendency in American foreign economic policy concerns East-West trade. The Marshall Plan contemplated expansion of trade between Eastern and Western Europe, and this trade actually has developed with the revival of production and transportation facilities on both sides.* The United States,

*See *Foreign Policy Bulletin*, May 27, 1949.

however, fearing that certain exports would enhance the "war potential" of Russia and its neighbors, has subjected American exports to that area to a strict licensing system, and has frowned on export of the same items by Marshall Plan countries—at a time when these countries are trying to find markets for their products.

The Commerce Department, relying on policy fixed by the Department of State, issues export licenses for sales to Eastern Europe more freely today than it did six months ago, but the restrictions remain severe. Eastern European countries find it impossible to obtain commercial financing in the United States. In the opinion of many Europeans the maintenance of the American export license policy markedly depresses trade between Eastern and Western European countries, and thus limits the trading area open to recipients of Marshall Plan aid.

Hard Times and Foreign Policy

The reaction of Congress to the current contraction of the domestic market for American products adds to the confusion in American foreign economic policy. Repeating the pattern of the early days of the Hoover administration after the slump of 1929, Congress has responded to the prospect of hard times with a tendency

to restrict governmental activity. In that frame of mind, the House of Representatives reduced ECA appropriation to \$3,568,480,000, whereas Mr. Hoffman has requested \$4,198,000,000, and on June 13 the Joint Committee on Foreign Economic Co-operation, with Senator Pat McCarran, Democrat, of Nevada, as chairman, recommended a further reduction to \$3,458,200,000. Such economies would contract the limited opportunity open to Europeans to obtain dollars, and thereby stimulate—or justify—European efforts to find trade opportunities in nondollar areas.

The Administration itself seems partly responsible for the economizing tendency. Instead of stressing the material advantage to be derived by the American people from the Marshall Plan, Administration spokesmen in 1947 and 1948 underlined the plan primarily as a device for halting the advance of communism. A corollary to this argument was that the economic troubles of Western Europe stemmed primarily from Communist activity. Now that the menace of communism in Western Europe has admittedly subsided, these old fears cannot be reawakened, and some Senators hold that the Marshall Plan has achieved its political purposes.

Treaties such as those between Britain and Argentina, which seem to flout

the ECA's aim of removing trade barriers, are bound to occur where ECA dollars are insufficient to cover the gaps in European trade. Dollar-dependency, coupled with dollar poverty, is the chief impediment to trade. Recent efforts of W. Averell Harriman, the President's personal representative abroad for the ECA, to remove dams to the flow of trade among Marshall Plan countries have so far proved fruitless, mainly for this reason.

Sir Stafford Cripps, British Chancellor of the Exchequer, appears to have persuaded the ECA that there is considerable truth in his arguments that Britain, despite its recovery efforts to date, cannot yet afford a greater degree of sterling convertibility. Once other countries are allowed to switch their credits from pounds to dollars, Cripps contends, Britain, serving as the banker for the sterling area, will again suffer a run on the bank as it did in 1947 when it made sterling convertible under the Anglo-American loan agreement of 1945. He maintains that Britain as well as the United States wants to see more and more multilateral trading based on convertible currencies, but that this is not the moment—when the world is experiencing the fluctuations of a returning buyers' market—to take the step.

BLAIR BOLLES

Bolivian Crisis Erupts In Tin Mine Riots

The aspect of comparative calm which Bolivia has worn during the past three years was stripped off last month in bloody riots at the tin mines which revealed a complex of problems that almost defy solution. A long period of bitter negotiation over wage and jurisdictional disputes lay behind the disturbances, whose immediate cause was the exiling of the miners' leader on political grounds. They climaxed a three-way struggle for control of thousands of hapless Indian tin workers between rival unions, the operators, and the hard-pressed La Paz government. The price of tin was directly involved, and the uncertain future of this high-cost metal, in turn, involves the development of other sectors of the Bolivian economy in which Brazil, Argentina and the United States are also intimately concerned.

Tin-Plated Economy

Tin is synonymous with trouble in Bolivia, where the mineral industry dominates the economy, furnishing 85 per cent

of the national income and the bulk of government revenues. The world's second largest producer of the base metal, Bolivia must export tin to eat. Much of its food supply is imported over the long mountain rail haul from Argentina. The tin industry and the railroads, therefore, are key economic enterprises; militant unions and political movements have grown up within them despite bitter opposition of the operators. Producers claim that rising labor costs, coupled with the strikes and disturbances of late years, would in a free market place them at an impossible disadvantage in relation to low-cost Far Eastern producers. The tin market is controlled by agreement between importing governments and producers, and the price of Bolivian tin concentrates is pegged to that of Malayan tin delivered in New York. Their opponents charge that the "tin barons" have controlled the government in their own interest, consequently discouraging efforts to diversify the economy. Armed clashes between miners and

operators, the latter often supported by government troops, have been a tragic recurrent feature of the Bolivian labor scene. In this particular instance, trouble had been expected ever since June 1948, when the industry obtained a 10 per cent increase in the price of tin.

The wage-price issue has been of direct concern to the La Paz government not merely on economic grounds—where it determines Bolivia's national and international solvency—but also on political grounds. In 1946 a "popular" revolution ousted the nationalist Villaruel regime, which a State Department Blue Book had described as Nazi-Fascist and engineered by the Argentine colonels. It brought President Enrique Hertzog to power. But the moderate Hertzog government was almost immediately embroiled in difficulties with Rightists, personified by Villaruel supporters and the Nationalist Revolutionary Movement (MNR). At the other extreme, it met opposition from the Party of the Revolutionary Left (PIR), whose

leader, José Antonio Arce, describes himself as "not Communist but Marxist." In the Bolivian Congress these groups made common cause against the Hertzog party, which did not possess a majority in that body. Outside, they jockeyed for control of Bolivian labor. The PIR is supported by the railway workers, while the Federation of Mine Workers has been identified with the MNR through its executive secretary, young Juan Lechín, Senator from Potosí.

Crisis in the Mines

A third force has added confusion to the Bolivian political and labor picture during the past year. This is the Inter-American Confederation of Labor (CIT), an anti-Communist, continental trade union organization which, with the active support of the American Federation of Labor, has attempted to counter the influence of the Communist-line Confederation of Latin American Labor (CTAL) in national workers' movements. When at the beginning of the year the new CIT "Independent Tin Workers' Union" entered a *petición* for a 20 per cent wage increase—which in Bolivian labor procedure would, if accepted, be applicable to the entire industry—the Ministry of Labor arranged to give its demands priority in the arbitrations court over the identical demands submitted by the Mine Workers' Federation. Although the MNR opposition claimed that the government was playing the tin barons' game, the court on the eve of the congressional elections awarded the decision to the union, rather than to the operators.

The tension generated by the combined effects of the MNR electoral gains and setbacks in the labor movement brought about a government crisis. Violent demonstrations attributed to the MNR on election day led President Hertzog to take an indefinite leave of absence, a decision reported to have been dictated by forces in the government which felt that the executive had been too soft with the miners and the MNR. The first move of his successor, Vice-President Mamerto Urriagoitea, was to reveal a plot against the government allegedly directed by Victor Paz Estenssoro, exiled leader of the MNR in Buenos Aires. Urriagoitea's swift action to deport Senator Lechín, the miners' leader, and a number of other MNR sym-

pathizers and army officers, on May 27, was immediately responsible for the outbreaks at the Siglo Veinte mines in the Patino group the following day.

The mixed labor and political crisis which ended six days later raised a number of questions concerning the future direction of the Bolivian economy to which replies cannot be further delayed. Central to the wage-price controversy is the question whether the high-cost Bolivian tin industry should continue to be maintained in competition by international price-fixing schemes, at the ultimate expense of the tin consumer, or whether solutions should be sought in an entirely different area of the economy, by contracting mining operations and emphasizing agricultural development in the eastern garden regions. OLIVE HOLMES

An American Abroad

Set your radio to hear the "Americans Abroad" program over the NBC network stations on successive Saturdays beginning July 9. This new thirteen-week series will be moderated by Brooks Emeny, president of the Foreign Policy Association, who left by air on June 25 to go around the world. The program will consist of on-the-spot reports from London, Paris, Berlin, Vienna, Rome, Ankara, Tel Aviv, Cairo, Beirut, Karachi, New Delhi, Manila and Tokyo. It offers the listeners an up-to-the-minute analysis of current conditions. Mr. Emeny, who is travelling with the Round-the-World Town Meeting group, may also be heard from time to time on the Tuesday evening Town Hall program. Consult your local radio guide for "Americans Abroad" air-time, which may be listed as "Public Affairs," on your NBC station.

Summer Reading

Be sure to use the summer for brushing up on recent international developments. READ the latest *Headline Series* issues:

REPORT ON THE UN

by Thomas J. Hamilton, chief of the
New York Times UN Bureau

BRITAIN'S ROAD TO RECOVERY

by Mildred Adams

MAN AND FOOD: THE LOST EQUATION?

by C. Lester Walker

35 cents each

News in the Making

Belgium's parliamentary elections of June 26 produced no startling changes, and gave no definite verdict on King Leopold's hopes for an early return to the throne. The Christian Social (Catholic) party, which campaigned for restoration of the monarch, maintained its position as the country's leading political group, obtaining about half the total number of seats. The Socialists remain the second major party, the chief changes taking place among smaller groups, with the Liberals, a moderately conservative party, increasing their seats from 17 to 30, and Communists being reduced from 23 to about a dozen seats. . . . In a move to consolidate and legitimize his *military regime in Syria*, Colonel Husni Zayim was elected President of the country June 25 on a one-candidate ballot. Zayim, who seized power by a coup on March 30, asked the electorate to authorize him to rule by decree until he drafts a new constitution, which is later to be ratified by Parliament or by referendum. . . . At a meeting in Geneva on June 26, trade union delegates from most of the non-Communist world agreed to proceed immediately with the establishment of a *new non-Communist world trade union organization*. A constituent assembly of the new organization will be convened, probably in London, sometime between November 10 and 13. The two most striking aspects of the Geneva meeting were that, for the first time, the CIO and the AFL participated together in an international trade union conference, and that Jacinto Oddone, militant anti-Peronist labor leader, was seated over the protest of the government-sponsored Argentine General Federation of Labor. . . . The struggle between church and state which in Hungary led to the trial of Cardinal Mindszenty is now assuming serious proportions in *Czechoslovakia*. In a pastoral letter read in many churches on June 26, Roman Catholic Archbishop Josef Beran and the Bishops declared that "well planned and carefully executed persecution of the Catholic Church in Czechoslovakia" was in progress.

FOREIGN POLICY BULLETIN. Vol. XXVIII, Nos. 38-39, JULY 1, 1949. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMEY, President; HELEN M. DAGGETT, Secretary; VERA MICHELE'S DEAN, Editor; WILLIAM W. WADE, Associate Editor. Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.

F. P. A. Membership (which includes the Bulletin), Six Dollars a Year.

Produced under union conditions and composed and printed by union labor.